



**USAID**  
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# COUNTRY STRATEGY STATEMENT



USAID/ECUADOR FY07-08

JULY, 2006

## **USAID/ECUADOR COUNTRY STRATEGY STATEMENT (FY 2007-2008)**

### **I. USAID Country Vision**

“Ecuadorians create an equitable, sustainable economy with strong democratic institutions.”

This strategy statement reflects three elements of USAID/Ecuador's vision to achieve transformational development and contribute to U.S. foreign policy goals in FY 2007 and FY 2008. First and foremost, we start with the Ecuadorians. USG political and economic support is important to Ecuador, but the fundamental changes must come from the Ecuadorians themselves. The strategy statement also underscores the need for Ecuador to promote equitable growth. Ecuador is a rich country, with a lot of poor people. Chronic instability in Ecuador will not be overcome until the GOE promotes more balanced and equitable economic growth. Finally, Ecuador needs to strengthen its democratic institutions to create more democratic stability; creating a more stable political climate will encourage economic growth.

### **II. Program Rationale**

#### **A. Foreign Policy Goals**

Situated strategically between Colombia and Peru in the heart of Latin America's most conflictive region, Ecuador's importance to U.S. interests far outstrips its size. Ecuador is a key player, and a cooperative ally, in regional U.S. efforts to counter narcotics, human trafficking, and terrorism. U.S. foreign policy goals also include strengthening Ecuador's fragile democratic institutions and promoting sustainable, equitable economic development that protects Ecuador's globally important natural resources.

#### **B. Major Development Challenges**

Historic neglect, limited, ineffective government presence and being situated between two of the world's leading coca/cocaine producing countries, have made Ecuador vulnerable to the regional narco-economy, including: trafficking in precursors and narcotics; increased flows of refugees and displaced persons; and increased narcotics-related crime and violence, money laundering and trafficking in persons.

Structural factors that undermine Ecuador's fragile democratic institutions keep the economy stagnant. Economic incentives for licit investment to generate employment and income are weak. Most Ecuadorians do not understand the benefits of free trade and globalization. The Ecuadorian private sector has not been proactive in the pro-trade, pro-investment debates. Specific individuals or business interests have tended to advocate policies benefiting their own interests or sectors rather than the greater good. Consequently, the private sector has lost credibility with the public as reform advocates.

Ecuador's resource-rich and globally important ecosystems, diverse indigenous cultures, and the Galapagos World Heritage Site are at risk. Wasteful misuse of these unique areas is exacerbated by poor governance. Ecuadorians' capacities to implement sustainable management are underdeveloped, while the ability of ordinary people to participate in these management systems and to use them for their social and economic progress is limited.

Exclusion, lack of transparency and weak institutional capacity, and conflict dynamics were identified as cross-cutting challenges to Ecuador's development:

- Gender and racial inequality exists in most sectors of Ecuador's society. Women, indigenous, Afro-Ecuadorians, and people with physical disabilities are generally excluded from conservation, health, education and productive activities. Territorial rights, cultural rights and employment opportunities fall short of constitutional guarantees and communities' identified goals. For example, in municipalities and villages women's participation in water and sanitation design, implementation and monitoring activities are under represented. Women's wages are lower than men's for the same work and there is a serious shortage of opportunities for productive employment and political participation for persons with physical disabilities.
- Public and private institutions are generally poor performers in terms of transparent priority setting, budgeting and procurement. Hiring, budgeting and procurement/contracting are less than transparent processes that afford opportunities for favoritism and corruption and create much suspicion among the citizenry.

- Low technical, administrative and financial skills and systems severely limit national and local governments' ability to plan, implement and monitor public services delivery.
- Ecuadorians, particularly those living in the border areas are subject to violence from the spillover from the armed conflict in Colombia and the temptations of illicit opportunities from the narco-economy coming from both Colombia and Peru.

### **C. USAID Development Assistance in FY 2007 and 2008**

**Design:** In preparation for the design of this strategy the Mission conducted assessments (summarized in VII. Annexes A & B.) that included analyses of Ecuador's development context and recommended areas for continued USG support for greater citizen participation, institutional strengthening, a more pro-active and competitive private sector, and more sustainable mechanisms to protect the environment.

#### **Critical Assumptions:**

- 2006 presidential and congressional elections will be free, fair, inclusive and transparent
- Continued GOE political and financial commitment to fight the spread of the narco-economy
- No disputes between the U.S. and Ecuadorian governments result in sanctions
- New GOE administration, inaugurated in January 2007, will share USG objectives and will help create an enabling environment needed for their success

### **D. Expected Results**

At the end of this strategy, Ecuadorians will enjoy greater democratic stability and more effective governance as measured by citizen satisfaction with national and local governments. USAID's assistance will have helped civil society and the private sector to better articulate their needs and to monitor GOE performance. Government institutions will have greater stability and less personnel turnover, promoting more economic and political predictability and more policy consistency. The Organization of American States (OAS) and the local NGO, "Citizen Participation" will declare the 2008 elections free, fair, transparent and inclusive. All these results will directly contribute to creating more democratic stability in Ecuador.

In the Northern Border, 20 additional water and sanitation systems will be built--benefiting approximately 30,000 Northern Border citizens; at least 2,000 new full-time jobs will be created; and a minimum of a two-fold increase in incomes for participating families will take place. Northern Border municipalities will simultaneously address basic needs of the community and promote citizen participation in local decision making. Increases in citizen satisfaction with, and trust in, local government should increase by 10% per year.

A viable Private Sector/Civil Society Council will be established to help define a national reform agenda, promote formation of private sector/civil society advocacy groups, identify high priority reform agenda items and define a policy action plan. Two Millennium Challenge Account (MCA) "doing business"<sup>1</sup> hurdles should be met and the GOE will adopt at least two priority reform agenda items.

In the environment sector, institutional strengthening will lead to sustainable management of natural resources in Ecuador's parks, reserves and protected areas, and indigenous lands equivalent to one third of the nation's area. Site-specific work is expected to improve the management of 250,000 hectares. In the Galapagos, the jewel in the crown of Ecuador's parks, key stakeholders such as fishermen, will measurably increase their support for and their benefits from management and biodiversity conservation of the Galapagos Marine Reserve. In the Galapagos and across the country, at least five model conservation-based enterprises will be established.

### **III. Policy Alignment**

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<sup>1</sup> The Millennium Challenge Account (MCA) is a global investment funded by the American people to finance initiatives to improve the economies and standards of living in qualified developing countries. Funds will be distributed to countries that demonstrate a strong commitment toward good governance, health and education of their people and sound economic policies that foster enterprise and entrepreneurship. For more information please refer to [www.mca.gov](http://www.mca.gov)

USAID will support the U.S. foreign policy goal of democracy and human rights and the U.S. FY 2008 Mission Performance Plan (MPP) Goal of *“focused assistance to strengthen democratic stability and institutions.”* The SO - **“More Effective, Democratic, and Transparent Governance”** - builds upon the results already achieved under the previous USAID strategy at the national and local levels.

The Mission Performance Plan (MPP)<sup>2</sup> also has “Regional Stability” as a key foreign policy goal: *“Increase economic and social development in the northern and southern border regions in order to constrain the appeal and incidence of illicit activities”*.. The “tactics” outlined in this MPP Strategic Goal include all of the four activities under the **“Sustainable Alternative Development”** SO.

The **Improved Business Environment and Private Sector Leadership** SO will improve trade and investment opportunities by promoting private sector and civil society leadership to advocate a reform agenda. It is directly aligned with and will contribute to the U.S. Foreign Policy Goal: *“Economic Prosperity and Security”* by strengthening the capacity to benefit from trade; supporting entrepreneurship; accessing markets for agricultural growth; and preventing disruptions that threaten economic instability. It also directly supports the MPP Goal of *Economic Growth and Development*.

The **Improved Natural Resources Management and Biodiversity Conservation** SO would contribute to the following MPP Goal: *“To encourage environmentally sustainable development, the Mission will support sound management of large biologically important protected areas and indigenous territories.”* This goal includes addressing root causes of poor natural resource management and supports Ecuador’s compliance with international environmental obligations. In addition, this SO supports the President’s Initiative on Global Climate Change and USAID’s foreign policy goals for the Western Hemisphere.

**Special Foreign Policy Concerns:** Supporting USG foreign policy objectives, this strategy incorporates special development concerns of the USG, including biodiversity conservation and the Amazon Basin Initiative, free trade, and support for the MCA goals. This strategy also responds to three Presidential Initiatives including Global Climate Change; Water for the Poor – environmental activities to conserve watersheds and ensure efficient water service delivery; and Trafficking in Persons (TIP).

The strategy is closely aligned to the new foreign assistance framework.

#### **IV. Proposed Strategic Objectives (SOs) and Program Components**

To achieve results and overcome the development challenges cited above, USAID/Ecuador will focus, *in order of priority*, on four strategic objectives: (1) More Effective, Democratic and Transparent Governance; (2) Sustainable Alternative Development; (3) Improved Business Environment and Private Sector Leadership; and (4) Improved Natural Resources Management and Biodiversity Conservation.

##### **SO 518-XX1: More Effective, Democratic and Transparent Governance**

<b>U.S. Foreign Policy Goal:</b>	Democracy and Human Rights
<b>MPP Goal:</b>	Strengthen democratic stability and institutions
<b>Program Components:</b>	<ol style="list-style-type: none"><li>1. Strengthen Civil Society</li><li>2. Strengthen Central and Local Government Institutions</li></ol>
<b>Intermediate Results:</b>	<ol style="list-style-type: none"><li>1. Improved civil society participation and oversight capacity at the national level</li><li>2. Citizen confidence increased in central and local government institutions that USAID supports</li><li>3. 2008 local and provincial elections declared free, fair, transparent and inclusive</li></ol>

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<sup>2</sup> The MPP is a joint USAID-Department of State Strategic Plan in each assisted country to capture and articulate the USG agencies’ highest priority goals and objectives focusing on policy, program and management direction.

In 2007, a new President and Congress will be sworn in. This change in government may provide USAID new opportunities through the Strengthen Civil Society and Strengthen Central and Local Government Institutions program components to promote political dialogue and national level institutional reforms that could contribute to a more stable democracy. To promote greater respect for constitutional order, as opportunities arise, the USG will help build the capacity of key national institutions including Congress, the executive branch, the Judiciary, and the Electoral Tribunal. Working with these national level institutions should improve their performance and lead to an increase in citizen confidence in these same institutions. USAID would also work with ministries in the executive branch, particularly the Ministry of Finance and Economy (MEF) to continue the process of transferring resources and responsibilities from the central government to municipalities.

In addition to strengthening national level institutions, national level impact will also be encouraged by promoting policy reforms. USAID will continue to promote judiciary reform, freedom of information and transparency, decentralization, and organic laws that improve the performance of the Judiciary.

The new strategy will also place greater emphasis on strengthening the capacity of national civil society groups such as non-governmental organizations, indigenous and Afro-Ecuadorian federations, professional associations, associations representing persons with disabilities, and universities to help them build a national consensus on key political, social and legal reforms and to launch nationwide efforts to promote furtherance of democratic values.

Citizen oversight committees will also continue to be supported in the new strategy. They have proven to be successful in the Ecuadorian context to improve transparency of government proceedings. For example, the oversight committee that the Network of Justice Sector NGOs created, with support from USAID and the United Nations, was instrumental in the transparent selection of qualified Supreme Court magistrates in September 2005. This citizen oversight model was subsequently adopted by the Ministry of Environment, with USAID encouragement, as the mechanism to select a new Galapagos Park Director in April 2006. And the Ecuadorian Congress, again with USAID funding, is now allowing a citizen oversight committee to monitor its performance. At the local level, USAID has been at the forefront of creating citizen oversight committees in virtually all municipalities where we work. Based on this proven track record of success, in this new strategy USAID will continue to promote the creation of citizen oversight committees in national and local government institutions. Creation of more citizen oversight committees will not only help government function more transparently and effectively, but it will also serve to strengthen NGO networks.

USAID will provide assistance and training to national institutions and sector ministries as well as local governments and local government associations to strengthen the decentralization process. In this regard, USAID will promote the adoption of local government best practices at the national level. Transparent budget formulation, competitive bidding practices, and greater citizen participation in the development and execution of municipal budgets are just a few of the measures already widely adopted at the local level that could be replicated at the national level.

To promote free, fair, transparent and inclusive local and provincial elections in 2008, USAID will provide assistance and training to civil society organizations to propose and assist in disseminating information on political and electoral reforms and promote more effective oversight of the electoral process. For example, USAID will support domestic observation (which will include ensuring access by marginalized groups such as women and the disabled), voter education campaigns, political debates and quick counts of election results. In addition, as in the previous strategy, USAID will provide limited assistance to the Electoral Tribunal to enhance its capacity to administer the 2008 elections.

This democracy program will leverage the human and financial resources and investments of partner organizations, the private sector, universities, non-governmental organizations, government organizations and work in collaboration with other donors to promote areas of mutual policy and program interest. USAID democracy activities will also be supported by complementary activities at the local government level that will be financed through the Sustainable Alternative Development SO.

**Critical Assumptions:**

- The new Congress that takes office in January 2007 will be more reflective of a plurality of political parties which necessarily will require greater dialogue between the executive branch and congress to achieve consensus.

**SO 518-XX2: Sustainable Alternative Development**

<b>U.S. Foreign Policy Goal:</b>	Regional Stability
<b>MPP Goal:</b>	Increase economic and social development in the Northern Border
<b>Program Component:</b>	1. Expand Alternative Development
<b>Intermediate Results:</b>	1. Increase Citizen Satisfaction with Government Performance 2. Expand Licit Economic Opportunities

The Expand Alternative Development (AD) program component is designed to constrain the appeal of illicit activities by strengthening the ability of local governments to promote economic and social development in Ecuador's six northern border provinces. The four elements of the AD program are: strengthen local government capacity; invest in infrastructure; increase citizen and civil society participation; and generate licit income and employment. USAID will improve local government service delivery, especially through improved water and sanitation, which will increase citizen satisfaction and support for local government. In the process, it will also improve the overall quality of life of the population. Good governance will be enhanced by a combination of improved municipal services and greater citizen participation in local planning and oversight. Greater citizen participation coupled with greater capacity of municipal officials to respond to constituent needs, will increase accountability, which in turn increases citizen satisfaction and support for local government. These factors, in conjunction with improved quality of life by increasing access to basic services, will increase the community's sense of security and stability in participating northern border communities. When local governments respond to basic needs, are accountable, and generate satisfaction and trust, its citizens are less vulnerable to the lure of illicit narco-activity.

The Expanded Alternative Development program will target traditionally marginalized sectors of the northern border population (indigenous, Afro-Ecuadorian, women, disabled, refugees and victims of trafficking) and support their local governments and organizations to ensure their role in decision-making and benefit sharing. Key outputs are increased access to (and satisfaction with) sustainable services, increased citizen trust, and effective participation in local governance. These results are widely acknowledged as essential ingredients in winning the hearts and minds of narco-economy vulnerable populations. Achievement of these AD objectives also will contribute to achievement of the democracy objective of stronger local and central government institutions.

Generating permanent licit employment and increasing incomes for poor families in northern border communities is fundamental to the contribution of the AD program to counter the narcotics industry in Ecuador. To promote employment and increase licit incomes, local economic development (LED) programs will be implemented in 3 to 5 selected northern border municipalities.

LED is a three-fold process. It entails improving local enterprises' ability to compete, increasing business community and citizen participation in local decisions, and improving municipal capacity to retain and expand business. To create a more attractive investment climate, a local economic development plan (reflecting the community's sense of comparative advantage) may include activities such as municipal infrastructure investment, creation of one-stop shops, and streamlining business regulation. To improve the competitive position of existing local enterprises, assistance would be provided to help them identify new, profitable markets, secure adequate market shares, develop their entrepreneurial skills, strengthen forward and backward linkages within the community and the surrounding region, and strengthen business management, including financial management skills for participating local entrepreneurs. Local enterprises would become the foci of a local network of rural producers that will collect the agricultural as well as non-agricultural products/services from around the municipality, add value to them through processing, sorting, packaging, and transport the products to local, regional and international markets. Creating well functioning northern border local governments will contribute to democratic and political stability and create a countervailing economic and political force which broadens participation by Ecuadorians in order that they may more fully make decisions that concern the economy and political processes. This LED approach will attract private investors and other donor contributions and will lay the foundation for expansion and replication to other vulnerable areas within the northern border or other areas where the narco-economy threatens to penetrate.

The business related activities promoted under this LED approach through the AD program will coordinate with the Mission's Improved Business Environment and Private Sector Leadership SO which is designed to enhance the business environment which encourages Ecuadorian businesses to promote trade and to lobby for economic and regulatory reforms. The Improved Business

Environment and Private Sector Leadership SO in turn will also support the AD licit employment program by promoting a more pro-active private sector voice in demanding national reforms and by providing market intelligence among other services through the private sector.

Results already achieved in the cacao, coffee, broccoli and avocado industry clusters through the previous Northern Border (NB) program indicate that under this two year program at least 2,000 new full-time jobs should be created and a minimum of a two-fold increase in incomes for participating families should occur. With regard to strengthening local government, recent democracy surveys of Northern Border municipalities attest to the effectiveness of simultaneously addressing basic needs of the community and promoting citizen participation in local decision making. In five northern border municipalities where USAID worked, citizen satisfaction with municipal services increased from 44.4% in 2004 to 52% in 2005; and trust in local government (a key barometer of democratic stability at the national level) increased from 32.4% to 42.4% over the same period a remarkable change in public perception in just one year. Based on this experience, increases in citizen satisfaction with and trust in local government could conceivably increase another 10% in these same five NB municipalities, and by even larger margins in the additional 5 municipalities to be added to the AD program by 2008.

**Critical Assumptions:**

- The GOE and its Andean neighbors continue their constructive collaboration with the USG to contain the spread of the narco-economy, including interdiction and eradication efforts.

**SO 518-XX3: Improved Business Environment and Private Sector Leadership**

**U.S. Foreign Policy Goal:** Economic Prosperity and Security

**MPP Goal:** Economic Growth and Development

**Program Components:**

1. Increase Trade and Investment
2. Improve Economic Policy and Business Environment

**Intermediate Results:**

1. Private sector and civil society leaders advocate free trade at the national level
2. Improve economic growth, trade & investment through selected high priority reforms

The Increase Trade and Investment and Improve Economic Policy and Business Environment program components will support private sector and civil society efforts to liberalize trade and remove trade barriers; to improve competitiveness; and to increase the number of progressive, nationally known private sector and civil society leaders. As this program is implemented, opportunities will be sought to complement and coordinate with all three of the other Mission strategic objectives.

Specifically, USAID will: (a) identify and support progressive private sector and civil society leaders and non-governmental institutions that are committed to developing a more broad-based and open economy, and (b) work with these leaders and institutions to develop a cohesive and focused national reform agenda to promote open markets and trade, investments and competitiveness.

Areas such as labor, "doing business" indicators, contract enforcement, protecting investors, improvements in the regulatory environment, and financial sector stability will most probably be part of their agenda. USAID would select a limited number of these areas and would: help Ecuadorians to understand the hurdles to reforms that need to be overcome; identify and promote specific actions to overcome those hurdles; undertake outreach efforts to reach the general public on the benefits of reform; and help Ecuadorians advocate for those changes with relevant authorities.

Specific activities would include:

1. Help Ecuadorians form a nationwide network of pro-market and pro-trade leaders. They would form a Private Sector-Civil Society Council
2. This Council will identify and define a nationwide reform agenda. The agenda will be primarily focused on trade, investment and competitiveness issues. This could include reforms to ensure a better qualified work force through training and education.
3. For each element of the reform agenda where USAID agrees to provide assistance, we would help Ecuadorians identify specific steps that need to be taken and obstacles that need to be overcome. This would form the basis of an action plan. The action plan would include public outreach to create a broad base of public support for reform.

4. Based on mutual interests, private sector and civil society leaders will form advocacy groups which will promote their reform agenda on specific topics with the Executive and Congress.

The Council and the advocacy groups would include organizations, such as vulnerable groups, small farmers; micro-enterprises; business associations; value chain representatives; and reflect regional and provincial parity.

The advocacy groups would work with Congress, media, universities, national and regional associations, and local level authorities to promote their specific reform package. We could also provide assistance to advocacy groups who are promoting structural reforms and removal of subsidies in telecommunications, electricity and oil. Finally, the program will also work to strengthen organizations that help Ecuador compete in global markets by providing market intelligence and support for business associations.

As a result of these collective efforts, we will help Ecuadorians to organize and reach out to the general public and to build a consensus on a broad, comprehensive agenda that will promote market oriented policies, a better regulatory environment and increased competition which should promote growth and help create more employment and increase incomes.

Should a new pro-market administration be elected in Ecuador in January 2007, the Mission would discuss with USAID/W the possibility of re-engaging the Executive Branch.

**Critical Assumptions:**

- Disputes between the U.S. and Ecuador do not result in sanctions.
- Financial sector remains stable and continues expanding its depth and breadth.

**SO 518-XX4: Improved Natural Resources Management and Biodiversity Conservation**

**U.S. Foreign Policy Goal:** Social and Environmental Issues

**MPP Goal:** Economic Growth and Development

**Program Component:** 1. Improve sustainable management of natural resources and biodiversity.

**Intermediate Results:** 1. More areas under improved management for biodiversity and sustainable use.  
2. More Ecuadorians benefit from improved conservation.

The objective of the Improve sustainable management of natural resources and biodiversity program component is to improve the management of Ecuador's rich natural resources, ensuring that they meet the needs of both present and future generations. To accomplish this, USAID will expand the impacts of conservation to benefit more people and institutionalize the capacity for natural resources management.

Activities directed toward increasing local benefits will coordinate with the Economic Growth program. USAID will focus on private-sector engagement in conservation, especially working with the value chains to provide benefits to communities located in or near national parks and reserves. USAID will engage stakeholders such as rural landowners, tourism operators, and rural and indigenous communities to conserve coastal zones, tropical forests, watersheds, and other fragile natural habitats. USAID will expand its assistance to improve the competitiveness of small and medium-sized businesses engaged in environmentally sound activities such as sustainable tourism and forest management.

USAID anticipates partnerships with local and international for-profit and private-voluntary organizations to foster economic activities that create incentives for good natural resources management, such as forest management and watershed protection. Sustainable tourism will also be a key component of this work, as it is the nation's third-largest industry, accounting for 380,000 jobs. In coordination with the other three SOs, this program will develop opportunities for the indigenous, women, and other marginalized groups to participate in sustainable economic activities.

USAID will have two principle geographic foci. The first will be Ecuador's National System of Protected Areas (SNAP) which is responsible for management of 19% of the national territory, plus



the Galapagos National Park and Marine Reserve (the second-largest in the world). USAID will work with the GOE, other donors, and NGO partners to consolidate national protected areas and improve the ability of local governments to manage local habitats. USAID will support government programs to change the systems that allow illegal logging and illegal fishing to flourish while, as noted above, increasing economic incentives for compliance. Conservation of intact forest in protected areas and Indigenous Territories will directly promote carbon sequestration, especially in the lowland Amazon regions. This mitigating effect directly supports the President's Initiative on Global Climate Change.

The second area of emphasis will be indigenous territories, which encompass many of the most pristine regions in Ecuador. This program will address the insecure tenure and weak institutions that limit the social and economic development of the indigenous, who also live and work on the front lines in the fight against illegal logging and narco-trafficking. Indigenous peoples' activities will coordinate closely with the alternative development, democracy and economic opportunities programs. The Mission will contribute to key objectives of the Amazon Basin Conservation Initiative, both through the programs described above and through assistance in managing centrally funded activities.

The environment program will work with Ecuadorian institutions to comply with conservation and sustainable use of biodiversity standards, to implement voluntary mechanisms to improve environmental management, (e.g., partnerships with communities and businesses), and to more effectively enforce environmental laws and regulations. This program will foster technically-sound decisions, transparency, and public participation (including indigenous, women, and other marginalized groups).

**Critical Assumptions:**

- Indigenous and rural communities receiving social and economic benefits from these activities will support conservation.

**V. Monitoring and Evaluation (M&E)**

USAID/Ecuador will develop a Performance Monitoring Plan (PMP) tailored to the individual SO's and program components outlined in this document. Data quality assessment of the PMP will be conducted every three years (next assessment: FY 2006). USAID/Ecuador will also develop an annual Evaluation Plan for the SOs and/or activities. The Mission will ensure that sufficient funds are set aside for evaluations; encourage staff participation; and implement the recommendations/finding. Agency-wide and Andean Regional reporting measures will be adopted where appropriate.

## **VII. ANNEXES**

### **A. Analysis of Tropical Forests and Biodiversity as required by Section 118/119 of the FAA**

#### **Why did we conduct the assessment?**

Sections 118 and 119 of the Foreign Assistance Act require that USAID strategies include analyses of threats to tropical forests and biodiversity, and proposed USAID programs to mitigate these threats. In addition to meeting this requirement, the assessment was designed to recommend actions on the basis of immediate threats to specific ecosystems and practical opportunities for effective and sustainable programs. The analysis considered needs and opportunities in the entire USAID/Ecuador program.

#### **What were the key recommendations, lessons learned, and best practices that were a result of the assessment?**

By any standard, Ecuador is one of the most bio-diverse countries in the world. The most recent estimate of deforestation found that 198,000 ha per year were lost in the 1990s, with the greatest areas being taken from the Amazon Basin, but the greatest percentage losses along the coast. Illegal logging and harvest of other forest products is essentially uncontrolled by the Government of Ecuador.

The analysis recommends actions on the basis of six criteria. Actions should: (1) protect large areas of habitat; (2) protect areas of high biodiversity; (3) be sustainable; (4) be grounded in experience; (5) have synergies with other programs; and (6) be politically, socially, and economically feasible.

The strongest recommendation for the Environment program is for continued work to title indigenous territories and strengthen indigenous organizations.

The second group of recommendations is to increase the financial and technical basis for the system of national parks and protected areas. Related to this is a strong recommendation to extend lessons from the Galapagos to other coastal areas.

Finally, actions are recommended to improve public and private management of forests, to improve public understanding of conservation issues, and to improve research and analysis capacities.

Beyond the Environment program per se, recommendations are to improve local governments' policies and practices for contamination, waste management, and agrichemical controls.

#### **How are we applying this information?**

The analysis significantly validated our current actions and new strategic plans for consolidating the protected areas system, working with local land-holders, working with the Indigenous, and continuing work in Galapagos and/or other coastal areas. The report's emphasis on technical and academic work was surprising, and we will look into incorporating these approaches.

## B. Analyses

USAID/Ecuador completed the following analyses in preparation for this Strategy Statement:

#	Assessment	Date(s)
1	<a href="#">Democracy and Governance Assessment</a>	June 2005
2	<a href="#">Municipal Development in Ecuador: 2005 Survey of IOM Municipalities, by Mitchell Seligson, Vanderbilt University, Latin American Public Opinion Project (LAPOP)</a>	June 2005
3	<a href="#">Office of Transition Initiatives (OTI)/Washington - TDY</a>	December 2004
4	<a href="#">Strategy to Conserve Biodiversity on Indigenous Lands</a>	September 2005
5	<a href="#">Assessment of USAID/WWF Galapagos Program</a>	October 2005
6	<a href="#">Value-Chain Analysis of Ecotourism</a>	February 2006
7	<a href="#">Diagnostic of the Southern Border Region: Poverty, Development, Micro Credit, Immigration, Governance and Drug Traffic</a>	June 2005

The following analyses are in process or will be conducted in the future:

#	Assessment	Date(s)
1	Trafficking in Persons in Ecuador	March 2006
2	Natural Products Value-Chain Assessment	March 2006

### Methodology:

We used the following methodology to provide a summary of each analysis:

- Why did we conduct the assessment?
- What were the key recommendations, lessons learned, and best practices that were a result of the assessment?
- How are we applying this information?

#### 1. Democracy and Governance (DG) Assessment (June 2005)

##### Why did we conduct the assessment?

Since late 2004 and during 2005 Ecuador experienced one of the most severe political crisis since its return to Democracy. The Mission obtained AID/W support to implement a DG Assessment applying the methodology developed by DCHA which has been implemented in various countries of Latin American. The Mission was interested in the assessment's validation of its focus and identifying any feasible adjustments for the remainder of the current strategy period 2005-2007, as well as to identify elements to consider in the core areas of democracy and governance for future DG programming.

##### What were the key recommendations, lessons learned, and best practices that were a result of the assessment?

Various problems affecting democracy and governance in Ecuador were identified under the different categories analyzed (Competition, Rule of Law, Inclusion, and Governance) including: the failure to achieve a national democratic consensus; the fragmentation of the political system, the distortion in the concepts of what democracy is; the failure of the elites to open up the political system to full participation; the lack of division of powers; racial discrimination and ethnic divisions; the economic differences; endemic corruption; and institutional weakness.

The DG Assessment Team recommended three options as priorities for the Mission to consider:

1. Support civil society to serve as the basis for developing a national agenda for political reform that would enhance representation and ensure a greater separation of powers;
2. Strengthen democratic local governance, focusing on scaling up from those municipalities that have demonstrated a commitment to citizen involvement in part by developing the capacity of municipalities to more effectively represent their interests at the national level;
3. Support efforts to ensure that democratic governance is also good governance—linked to greater transparency and accountability through the efforts of national and local civil society movements.

##### How are we applying this information?

Considering funding limitations, the timeframe of the new Strategy, and the successful experiences of the DG Team in local democratic governance and promotion of transparency through civil society

involvement, the new SO “More Effective, Democratic and Transparent Governance” has incorporated these recommendations.

## **2. Municipal Development in Ecuador: 2005 Survey of IOM Municipalities, by Mitchell Seligson, Vanderbilt U., LAPOP Project**

### **Why did we conduct the assessment?**

As part of the Northern Border Development Program, USAID is funding an activity to strengthen local government and citizen participation among key municipalities along the Colombia Border. These are viewed as particularly vulnerable to the multiple threats of spillover of narco violence from Colombia. CARE, under a subgrant from the International Organization for Migration (IOM), is carrying out the TA and training for municipal and village officials, as well as strategic planning and citizen oversight in the municipalities of Lago Agrio, Putumayo, Cascales, Joya de los Sachas and Eloy Alfaro.

To measure progress in these efforts a baseline survey of these 5 municipalities was conducted in 2004, using the basic questionnaire from the national Democratic Values Survey conducted by Seligson. In 2005, the same 5 municipalities were surveyed again (using a random survey, covering both rural and urban areas of the municipalities).

### **What were the key recommendations, lessons learned, and best practices that were a result of the assessment?**

The 2005 survey findings were very positive in terms of increased participation in local government, demand-making and transactions with municipalities. But even more significant were the very large increases in citizen satisfaction with local government services and knowledge and perceptions of and trust in local government. Increases of 10% in citizen satisfaction and trust in one year were documented. These positive changes in key indicators have been the focus of the development efforts of both CARE (LG strengthening/citizen participation); and IOM, water and sanitation infrastructure improvement.

### **How are we applying this information?**

The Mission therefore believes there is strong evidence that an integrated local economic development approach of improved governance and improved infrastructure can make a significant difference in the perceived well-being of populations, even in areas of high risk like the Northern Border. These findings will be incorporated into the new strategy of integrated local development, both in the north and nationally.

## **3. OTI/W - Assessment TDY (December 2004)**

### **Why did we conduct the assessment?**

With Ecuador experiencing one of the most serious political crises since the end of the totalitarian regime, the US Embassy and USAID requested OTI's assistance to assess the political situation and to make short and mid-term recommendations for USG interventions. The request was made because of OTI's experience in Bolivia under similar unstable political conditions.

### **What were the key recommendations, lessons learned, and best practices that were a result of the assessment?**

The team conducted extensive interviews within the USG, with key actors in civil society and with former public officials (interviews with members of Congress and or the Executive were not feasible under the circumstances); Utilizing OTI's methodology to analyze crisis and political legitimacy and effectiveness, the Team focused on political issues and assessed their implications—on key economic and social issues.

The OTI team offered wide-ranging recommendations and proposals. For the short-term, it suggested immediate-interventions that the USG could take to respond to the crisis; and for the medium term it recommended interventions designed to help bridge the vacuum left between people and government — a fundamental problem of the Ecuadorian democracy.

The team also made two programmatic recommendations for the DG Strategy: (a) to expand the support to local governments and the promotion of democratic participation at the local level; and (b) to promote strong democratic principles.

To advance local governance, among other things the OTI experts recommended: (a) developing and strengthening service delivery and economic development capacities of local governments; (b) assisting local governments develop their lobbying capacity; (c) greater coordination with donors and

with the SO working with the Ministry of Economy and Finance to further decentralization; (d) a more concerted effort within USG and among donors to help create a more favorable environment for municipal governments to decentralize; and (e) strengthening selected civil society organizations.

To strengthen democratic values the OTI experts recommended that USAID develop (1) a media strategy, (2) a civic education program, and (3) to strengthen the outreach and communications capacities of local governments. The team also recommended a focus on youth as their disenchantment with democracy was higher than adults.

#### **How are we applying this information?**

The proposed new DG Strategic Objective incorporates the recommendations regarding democratic values, communication strategies and strengthening governance will also include observations/recommended actions for implementation.

#### **4. Assessment of Strategy to Conserve Biodiversity on Indigenous Lands (September 2005)**

##### **Why did we conduct the assessment?**

Ecuador may have more biological diversity per unit area than any other country on earth. Much of this diversity is concentrated in the northern border and Amazon Basin provinces. Indigenous peoples are managing much of this diversity. However, these unique resources are now under increasingly serious threat, including the growing spillover effects of drug related violence in Colombia. Indigenous peoples and territories can constitute a first line of defense against biodiversity loss. However, they need urgent assistance to support their territorial integrity; capacity-building needs; and financial sustainability.

In 2001 USAID/Ecuador proposed a long-term strategy to respond to these needs and to help protect and sustain some of the world's most precious biological resources and indigenous cultures.

Four years later, the purpose of this updated assessment was to verify the 2001 approach and subsequent support (CAIMAN program) provided by USAID to indigenous groups and for biodiversity protection, and to recommend modifications and future direction. USAID needs to make strategic decisions in terms of which groups to work with, what to do with them, and how to do it. This assessment provided broad guidance on the best strategies and approaches to working with indigenous peoples in Ecuador.

##### **What were the key recommendations, lessons learned and best practices?**

Major findings and recommendations include:

- USAID/Ecuador's strategy with indigenous groups is well-placed and scientifically justified.
- Approaching biodiversity conservation through consolidation of indigenous land tenure is a successful strategy when accompanied by:
  - legal structures allowing territorial titling and granting administrative authority to indigenous organizations;
  - competent and representative indigenous organizations;
  - availability of outside technical assistance;
  - scientific support for indigenous partners for basic resource management questions;
- The priorities should be territorial consolidation and development within territorial limits. People living outside ethnic territories must be given lower priority.
- In some cases, the Mission should move slower over a longer time period with the indigenous groups because success may depend on legal and policy changes that may take time to develop, and successful indigenous organizations do not develop overnight.
- Improvements of livelihood are a better indicator of community benefit than income.
- Some changes in the protected area laws are needed to permit legalization of indigenous lands.
- Scholarships are recommended in secondary and university training, both vocational and academic.
- Greater enforcement of existing laws and regulations is recommended.
- Continued support for indigenous women's organizations is recommended.
- Stable funding for educational programs is recommended.
- Income projects should generally be low-tech, low pressure, easily understandable by the participants, and family-oriented.

**How are we applying this information?**

Recommendations of this assessment are being used to plan new conservation activities in indigenous territories. The report was posted on the LAC website for use of applicants for the \$50 million Amazon Basin Conservation Initiative. Changes in the current CAIMAN program include: (1) a rapid assessment on education of the supported indigenous groups is being conducted to develop possible interventions; (2) stronger programs to consolidate land tenure, extend territorial control, and develop mechanisms for financial sustainability; and (3) a shift away from Quito-based organizations to local implementers.

**5. Self-Assessment of USAID/WWF Alliance Conservation of the Galapagos Marine Reserve Program (October 2005)****Why did we conduct the assessment?**

With two years of the scheduled three-year program completed, USAID/Ecuador contracted with University of Rhode Island/EcoCostas a mid-term evaluation of progress – and the changing context within which the program must work in the Galapagos – in order to inform development of the final work plan. Towards this objective, Mission and EGAT staff collaborated on the design and implementation of a three-day “self-assessment workshop” involving representatives of each of the 9 Alliance organizations, plus key GOE partners from the Ministry of Environment and the Galapagos National Park (GNP). The workshop was convened September 27-29, 2005 in Quito.

**What were the key recommendations, lessons learned, and best practices that were a result of the assessment?**

The review of the experience of the reserve shows two major cycles. The first is from 1986 to 1998 (prior to the establishment of the Special Law) and the second starting in 1998. In the first cycle, the reserve was not viable in institutional terms and its management was not part of the protected areas system in Ecuador. The management plan did not have the mechanisms for adequate authority to enable implementation. During the second cycle, institutional viability increased and it is working to create new institutional and social practices. However, during 2003 and 2004 governance deteriorated significantly.

Additionally, there were two central shifts, one regarding to the changes in political leaders and of local unions that destabilized the administration of the GNP. The other was changes in the program design that assumed that the greatest threat to conservation was over-fishing, rather than the model of tourism development being utilized.

The participants emphasized that the changes in govern ability are outside the control of the WWF/Alliance and that the deterioration of the governance in the islands and of the Galapagos Marine Reserve has, at times, required them to focus on those problems rather than the planned activities. Additionally, these changes demanded adjustments in the planned results and activities for the time remaining in the project.

**How are we applying this information?**

USAID/WWF Alliance program for the Conservation of the Galapagos Marine Reserve was adjusted to focus on three major actions: 1) Decrease the level of conflict among the marine reserve stakeholders and therefore restore the functioning of the participatory management system; 2) Develop a coherent strategy to reduce fishing, by identifying appropriate economic alternatives for the fishing sector; and 3) Technical support to the GNP to reestablish its deteriorated institutional capacity. This assessment also validated adjustments made during the second year.

**6. Value-Chain Analysis of Ecotourism (February 2006)****Why did we conduct the assessment?**

In February, 2006, the Environment and the Economic Opportunities Teams began an analysis of opportunities for conservation through an expanded, more competitive ecotourism industry structured to provide greater benefits to local stakeholders. The analysis will conclude in early April with a national workshop. The work is jointly supported by the Environment program, the Economic Growth program, and two programs in EGAT.

This analysis is expected to assist us to define actions to achieve intermediate results of “Ecuadorians broadly benefit from conservation...” and “Strengthened capacity of private sector...to compete in regional and international markets”. Tourism brings these two themes together:

- Conservation of large areas requires incentives for local participation,

- Sustainable new enterprises are essential to Ecuador's development at every economic scale;
- International tourism, based primarily on natural areas, is a large and growing industry;
- Few other economic opportunities are available for remote communities due to high transport costs, and the most attractive ones are the extractive ones (timber, oil, fishing...), which generally threaten natural systems.

#### **What were the key findings and conclusions as a result of the assessment?**

The key result anticipated is a recommendation on what kind of tourism best supports conservation, and what economic opportunities are associated with this sector.

#### **How are we applying this information?**

We will use selected information from this analysis to plan new activities in conservation and local economic development. To mitigate the risk of organizational conflicts of interest in possible later contracting actions, (1) there will be quality-control against institutional bias in the conclusions from the two participating offices in USAID/Ecuador, the two contributing programs in EGAT, and LAC technical staff; (2) all results will be available to all potential bidders; and (3) the terms of reference will specifically exclude implementation issues.

### **7. Diagnostic of the Southern Border Region: Poverty, Development, Micro Credit, Immigration, Governance and Drug Traffic (June 2005)**

#### **Why did we conduct the assessment?**

In 2004, Ambassador Kenney requested USAID chair a Southern Border Working Group to: a) coordinate all USG activities in Ecuador's south; b) assure public diplomacy efforts about USG activities in the south; and c) to gather information on the south due to a lack of knowledge in the U.S. Mission about the south and a credible opinion survey of significant illicit contraband and drug trafficking in the south. A socio-economic assessment of Ecuador's southern border area was finalized, June 30, 2005.

The purpose of the field assessment was to inform USAID and senior U.S. policymakers on the current conditions in the Ecuadorian southern border and selected northern border areas of Peru, review the status of social services, productive activities, impact of international trade, immigration, credit, local governance and the extent of ecological risk and to recommend modifications, refinements and possibly new policies and programs to address and mitigate illicit trade and enhance socio-economic conditions in the south, as well as to encourage overall stability in this region, now and beyond 2006.

#### **What were the key findings and conclusions as a result of the assessment?**

- Poverty and lack of access to social services is prevalent in the Ecuadorian southern border provinces. Over 50% of its population lives on less than two dollars per day.
- A mix of endemic diseases (AIDS, dengue, malaria) associated with underdevelopment is found along the southern border.
- The southern border provinces lack access to credit, technical assistance and markets. Only 5% of farmers have access to credit. If the FTA-Andes is signed, these provinces will experience a significant negative impact on employment and income.
- Agriculture and over use of land in Loja, El Oro, and cattle ranching in Morona Santiago and Zamora Chinchipe have provoked massive deforestation, while gold mining in Zamora has contaminated water sources and the soil.
- The evidence suggests that bilateral trade between Peru and Ecuador has not been much of a stimulus for the economies of the southern border region.
- Immigration out of the southern border has been extensive. Spain, Italy, and the U.S. are the principal destinations.
- The survey identified Peruvian migration to the south of Ecuador as massive and as a serious threat to employment. Peruvians have arrived in large numbers, especially since 2001, attracted by dollar incomes.
- Ecuador's role in the Andean regional drug economy is mainly that of a transit conduit of Colombian cocaine and heroin on its way to the US and Europe. Income from drug traffic is significant in this area. Poverty in this region can make this activity increase substantially if licit sources of income are not available to the poor population.
- An increase in drug traffic driven by the expansion of poppy cultivation of northern Peru would be an example of the expected "balloon effect", as production of Colombian heroin declines due to Plan Colombia eradication efforts.
- Access and quality to social services should take priority in social services provision. Water supply and rural sanitation access should be increased.

- Education has to be modernized, as well as access increased mainly in rural areas.
- Income generation programs would fulfill several strategic aims: reduce poverty, facilitate conversion to products with market potential in the face of the FTA, protect sensitive ecological zones, diminish migration and prevent drug traffic and cultivation.
- Strengthen access to micro and agricultural credit by strengthening financial structures through alliances with successful urban cooperatives and financial institutions.
- A well designed income generation program as a means to reduce poverty and prepare for the FTA impacts would also serve to prevent migration to the U.S.
- Drug traffic may be addressed by improved interdiction and alternative development designed to lead potential traffickers into profitable licit activities.

#### **How are we applying this information?**

The results of this assessment have been used to guide the emphasis we place on the three components of our ongoing Southern Border Program (social services, local government strengthening, and natural resource management). But it has also served to inform the entire U.S. Mission regarding socio-economic conditions in the south, successfully filling the information void that existed. Furthermore, it has guided the development of our proposed strategy in the areas of facilitating increased competitiveness, the importance mitigating the difficult but necessary adjustments that will be needed for certain sectors of the Ecuadorian economy. It has brought us to propose implementing programs in the south as preventative measures to inhibit illicit trade, particularly related to drug trafficking.



### C. Donor Matrix and Partnering

Table 4.0 Bilateral and Multilateral Donor Matrix

DONOR	SECTOR										FUNDING (\$000)	
	Agriculture	Democracy	Environment	Education	Health	Economic Growth	Disaster Assistance	Shelters	Vulnerable Groups	Inst. Development	2003	2004
<b>BILATERAL DONORS</b>												
Spain		X	X	X	X						\$5,330	\$6,070
Japan	X	X		X	X			X			\$15,330	\$19,400
Germany			X	X		X			X		\$13,540	\$17,920
Switzerland	X	X	X	X		X	X				\$5,910	\$5,390
Belgium	X	X	X	X		X		X			\$4,320	\$4,000
Canada <sup>1</sup>	X	X	X	X		X			X		\$4,520	\$1,390
China	X			X							\$4,130	--
<b>MULTILATERAL DONORS</b>												
World Bank (WB)			X		X <sup>2</sup>					X	--	\$6,040
Inter-American Development Bank (IADB)		X	X	X	X	X			X		\$3,940	\$3,690
European Union (EU)	X	X	X	X			X				\$8,570	\$12,310
Organization of American States (OAS)				X		X			X		\$210	\$230
Andean Development Corporation (CAF)		X	X	X		X	X				\$110	\$840
The Global Fund for HIV/AIDS and Tuberculosis					X <sup>3</sup>						--	\$3,300
UN Development Program (UNDP)	X	X	X	X	X	X			X	X	\$4,330	\$4,660

Source: Ecuadorian Institute of International Cooperation – Ecuador 2003-2004

<sup>1</sup> As of 2006, it is our understanding that Canada will close operations in Ecuador

<sup>2</sup> World Bank approved on February 2006, a \$90 million loan for Ecuador to support a health insurance program

<sup>3</sup> The Global Fund for Tuberculosis in 2006 and HIV/AIDS in 2005 has approved a combined budget of \$16.3 million.

USAID/Ecuador's track record for donor coordination is very successful. During the current Strategy, USAID has been able to focus the large multilateral financial institutions and donors on several areas, including: the Galapagos, Private Credit Bureaus, Financial Sector Debt Restructuring, Customs, Fiscal Management, National Park Management, Judicial Reform, and Elections Support.

As the chart shows the Mission has been “partnering” in specific sectors with other bilateral donors and multilateral organizations in an effort to economize in taking on larger issues. The following summarize USAID’s analysis of the potential for “partnering” with other donors on specific activities:

- **Trade and Competitiveness areas:** USAID is coordinating partnerships in the public and private sector under the Last Mile Initiative with WOCCU, Micronet, Fundacion Chasquinet and Microsoft Ecuador on the “telecentros” theme.

USAID has been in contact with the Corporacion Andina de Fomento and agreed to coordinate actions related to competitiveness. For example, USAID will design a DCA to support value-chain type activities and CAF will support a credit program through the commercial banks. In addition, we will consider the possibility of partnering with the World Bank and the Inter-American Development Bank in their Trade and Competitiveness Initiatives. Moreover, we will be working with local foundations and NGOs, such as Federaci3n Interamericana Empresarial (FIE), Corporaci3n de Estudios para el Desarrollo (Cordes) and Fundaci3n Banco de Guayaquil, which have been created to promote free markets and attract of foreign investment.

- **Protected Areas Conservation:** The environment SO sees great potential to partner with the United Nations Development Program to develop an \$8M national protected area financing program and with the World Bank in the development of a \$50M Galapagos conservation program. Both activities would allow us to achieve greater impacts in proposed strategy areas. Similarly, we are negotiating an agreement with the Ministry of Environment, which will oversee \$17M - \$30M in oil funds for conservation that directly support our activities. We will engage private sector donors, such as Coca Cola, to develop GDA-like agreements to conserve natural resources.
- **Combating Human Trafficking:** USAID is discussing with the Inter-American Development Bank coordination of resources and actions to avoid duplication of efforts. We also coordinate with the International Organization for Migration (OIM), International Labor Organization (ILO), Ricky Martin Foundation (RMF) and UNICEF. The Ministry of Foreign Affairs (MFA) and the National Council of Women (CONAMU) are responsible for coordinating international cooperation agencies in this area. We also plan to support the recently completed Government of Ecuador’s National Plan to combat TIP and related crimes. In addition to donors, we have also coordinated previous actions with the private sector such as Microsoft Colombia and Ecuador.

#### **D. Cross-cutting themes (exclusion, lack of transparency and weak institutional capacity, and conflict dynamics)**

**Exclusion:** The Mission will promote inclusion of vulnerable groups including women, indigenous, Afro-Ecuadorian and disabled across all program components under the four proposed strategic objectives, and will include disaggregated indicators, as appropriate, to monitor and evaluate gender results. Specific gender activities to promote inclusion of women are further detailed in Annex E.

Economic activities will continue to support inclusion of indigenous in productive activities that have proven to be successful, such as cultivating vegetables for household consumption and improving the production of small animals and poultry for subsistence purposes to address chronic nutrition problems. Productive activities such as handicrafts will continue as an income generating mechanism. With indigenous and women, the environment SO will link conservation with health, education and productive activities, thus contributing to their stated goals of maintaining their territory and culture and improving their livelihoods.

USAID requested and DCHA approved additional funding for productive employment and political participation for persons with physical disabilities. Although these DCHA funds would be drawn down by the time the new strategy is in place in 2007, the Mission would continue to work in this area, using existing staff, but with no budget implications, to build on the foundation it has created by continuing its work to link private sector businesses with qualified persons with disabilities who are seeking employment.

**Lack of Transparency:** A major element of the DG SO is the promotion of citizen participation and civil society groups in transparency and governance. Public and private institutions are generally poor performers in terms of transparent priority setting, budgeting and procurement. Hiring, budgeting and

procurement/contracting are less than transparent processes that afford opportunities for favoritism and corruption and create much suspicion among the citizenry.

**Weak Institutional Capacity:** This will be addressed in all SOs. The Mission will continue working on human and institutional capacity development for: 1) private sector leadership; 2) indigenous organizations to consolidate their territories; 3) land management institutions; and 4) targeted local civil society organizations (NGOs, professional business associations, trade unions, and community groups) to improve their capacity to effectively participate in key development processes.

**Conflict Dynamics:** During the on-going strategy implementation and design processes, the Mission and the Embassy's Working Groups identified current and potential areas of conflict and analyzed them in terms of their implications for the new (2007-2008) strategy, as described under the Major Development Challenges and above in Annexes A & B. More specifically, the Mission continuously analyzes the situation in Ecuador and has highlighted possible future scenarios of potential overarching and interrelated conflict categories:

- Political and democratic institutional instability, for example, the constant crisis of government institutions and changes, weak justice administration, lack of national consensus due to political fragmentation, corruption, lack of political will to implement reforms.
- Ecuador's poor economic development which is a result of its continuing tendency toward protectionism, the rent-seeking behavior by privileged elites, and poor economic policy decisions.
- Concern about increasing public insecurity, due to gang violence and increased criminality.
- Ecuador's vulnerability to the multiple risks and impacts of narco-trafficking, money laundering, and trafficking in persons that are exacerbated by the Colombian conflict.
- The inability of the government to promote conservation of Ecuador's highly biodiverse ecosystems, protect indigenous cultures, and to mediate conflicts between indigenous groups, oil companies, loggers, fishermen, NGOs, and local authorities.
- Social exclusion of vulnerable and marginalized groups.

**Program Recommendations:** Because of these potential conflicts, USAID/Ecuador will:

- For the democracy and economic growth SOs, if a high-risk for conflict continues due to the lack of political will for reform on the part of the central government, these SOs will look for options to work with civil society groups that have the capacity and the ability to engage key actors and organizations who are committed to reform. This includes groups such as local government officials, youth leaders, political elites, certain sectors of the business community, and members of the media. By creating a critical mass of US alumni change agents, they can help forge a national consensus for reform.
- For the alternative development SO, the Mission will work with key local and national officials to encourage a licit economy and responsive government in the high-risk northern border region of Ecuador. The Mission will also partner with business associations and chambers of commerce to design development strategies that promote stability.
- For the environment SO, the Mission will focus its efforts on mediation of conflicts over access to land and exploitation of natural resources, such as oil, timber, fish and wildlife, by indigenous groups, private industry, NGOs, and national and municipal governments. Communities and civil society groups will be encouraged to promote effective conservation policies and regulations. Civil society groups can be brought into discussions about the long-term and short-term costs and benefits of bio-diverse ecosystems protection and the impacts on Ecuador's economy.

The Mission will maintain a focus on vulnerable and disadvantaged groups who during conflicts are at most risk.

## **E. Gender:**

Gender inequality exists in most sectors of Ecuador's society. Women are generally excluded from conservation, health, education, political participation and productive activities. Some examples of gender disparities are as follows:

### **Gender disparities**

## ***Education***

In general, there are not significant gaps in access of men and women to basic and secondary education. In the last decade, the ratio between girls and boys enrolled in basic education has remained around 98 girls for every 100 boys. However, there are some disparities in the reasons for school desertion, and between indigenous and non-indigenous and rural and urban populations, principally with respect to secondary education.

Girls' desertion rate is higher than boys. The main reasons cited are the need to care for younger brothers/sisters or other family members (13% for girls vs. 0.8% for boys), pregnancy (9%) or economic problems (48%).

## ***Labor Market***

Women's participation in the labor market increased in the last decade. In 1990 their participation in rural areas was only 38% and in 2001 it increased to 52%. However, the female unemployment rate is higher for women than men, 15% in 2003, versus 9.08% for men.

Generally, women have access to employment, but receive lower salaries. Even when men and women have the same education level, women receive lower salaries. In 2000, women received 72% of the average salary of men, and in 2004, women received only 64% of men's salary.

## ***Political Participation***

In 2002, Ecuadorian law established that at least 30% of candidates for Congress be women, and every 4 years, for subsequent elections, this percentage was to increase by 5% until it reached 50%.

In practice, in the last two national elections only 18% of the candidates were women, up from 5%. Women participation in leadership positions is more visible in sub-national and municipal elections than in national elections. In the 2004 sub-national elections, 6% of the mayors elected were women and 18% of the prefects were women.

Women representation in the President's Cabinet is low compared with other Latin American countries, such as Colombia and Chile. In 2003, there were only 4 cabinet positions held by women (out of 15) (27%) and in 2004, only 2 (13%).

## ***Access to microcredit***

In 2004, USAID financed a micro-enterprise study that focused on urban areas in Ecuador. The survey found that approximately 646,084 micro-enterprises were located in urban centers which had a population of more than 5,000 persons. At the national level, other studies financed by the GOE, IDB and the census estimate that there are 950,000 to 1,700,000 micro-enterprises including rural producers in the country.

Statistics indicate that women tend to be more entrepreneurial than men. For example 56.4% of the economically active population of women are micro-entrepreneurs, compared to 31.3% of the men. Approximately 46.7% of all micro-enterprises are owned and managed by women. Women businesses are mostly concentrated in the commercial sector (65.3%). On average, women's businesses are smaller than those owned by men and have lower monthly sales: \$552 versus \$995 for men. The survey indicated that in the last 12 months 16.7% of the men and 15% of the women had requested credit from a financial institution. The loan approval rate for men and women had no significant difference, 98% for men and 97% for women. Under the existing USAID microfinance program, there are 402,065 active clients of which 55.19% are women. The outstanding loan portfolio is \$562 million with 42.74% of the funds directed to women owned businesses.

## **Description of the problems that the strategy addresses**

Due to budget constraints and reduced number of sectors of intervention, USAID/Ecuador will not work on education and microfinance under the new strategy, therefore the Mission will not be able to address gender issues related to girls' desertion and school enrollment rates and women's access to microcredit.

However, as mentioned in Section B of the Strategy Statement, the Mission will promote gender equality across all program components under the four proposed strategic objectives, and will include sex-disaggregated indicators, as appropriate, to monitor and evaluate gender results.

A major element of the Democracy SO is the promotion of citizen participation and civil society groups in good governance at the local level. Special attention is being given to the incorporation of vulnerable groups including women, indigenous, Afro-Ecuadorian, and disabled in the implementation of these efforts. The Mission will also take advantage of its previous work and contact with the association of women mayors and city council members, as well as the association of Afro-Ecuadorian women and various women NGOs, to promote the inclusion of gender considerations in project design and implementation.

The Alternative Development SO will expand the participation of women in water and sanitation activities. For example, women will be the primary beneficiaries of the construction of home-water systems, and construction of roads and bridges will give women better access to health services and markets. The program will monitor the number of new, full time jobs generated for women through the local economic development component.

The Improved Business Environment and Private Sector Leadership SO will seek the participation of women leaders to initiate and promote reforms related to free and open markets, trade, competitiveness, and poverty reduction. This SO will establish a nationwide network of pro market and pro trade leaders. The participation of women business leaders in this network will be critical to identify and define a nationwide reform agenda. To support the trade and competitiveness agenda, USAID will provide technical assistance and will finance pilot activities, including women's micro, small and medium businesses that will lead to increased investment and exports, employment generation, market diversification, and increased incomes – indirectly providing increased opportunities for women in the labor market.

The Improved Natural Resources Management and Biodiversity Conservation SO will continue to support indigenous women through productive activities that have proven to be successful. Women will continue to participate in cultivating vegetables for household consumption and improving the production of small animals and poultry for subsistence purposes to address chronic nutrition problems. Productive activities such as handicrafts will continue as an income generating mechanism. With indigenous women, efforts will link conservation with health, education and productive activities, thus contributing to their stated goals of maintaining their territory and culture and improving their livelihoods.